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RUEHIL/AMEMBASSY ISLAMABAD 1020
RUEHNE/AMEMBASSY NEW DELHI 8950
RUEHLM/AMEMBASSY COLOMBO 7348
RUEHKT/AMEMBASSY KATHMANDU 8433
RUEHLO/AMEMBASSY LONDON 1399
RUEHKO/AMEMBASSY TOKYO 1023
RUEHUL/AMEMBASSY SEOUL 0233
RUEHMD/AMEMBASSY MADRID 0018
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SUBJECT: MANAGEMENT ACCEPTS UNION; BUYERS PLEDGE INCREASED
ORDERS

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¶1. (SBU) Summary: After management fired a newly formed union's members, corporate social responsibility compliance agents, trade groups and labor organizers successfully negotiated the reinstatement of fired workers and union officers. Shortly after the settlement, buyers tripled the garment orders for the factory. The American Center for Labor Solidarity (ACILS) and their local NGO labor partner, BIGUF, played a vital supporting role in the bargaining process. End summary.

A UNION FORMS
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¶2. (SBU) In autumn 2004, the workers at the Bangladeshi-owned Intersoff Clothing factory established a new local level union: the Interstoff Clothing Limited Workers Union (ISCL), representing 400 workers at a factory in Gazipur, located 45 kilometers outside of Dhaka. In the Bangladesh garment industry, where labor is considered plentiful, the establishment of a labor union outside of the Economic Processing Zones (EPZ) was newsworthy. However, soon after the establishment, according to labor organizers, Intersoff management began to harass workers, and dismiss union officers and workers who supported the union. Local Bangladeshi labor organizations, including the American Center for International Labor Solidarity (ACILS) a.k.a Solidarity Center, and one of its local partners, the Bangladeshi Independent Garment Union Federation (BIGUF), supported the members of ISCL from the beginning.

¶3. (SBU) By October 2005, as negotiations came to a halt, the ISCL membership contacted the brands, buyers and the Ethical Trade Initiative (ETI), a corporate responsibility association to which the brands, Zara, Mothercare, and Tesco, belong. Zara is part of the Spanish Inditex group marketing internationally several brands of fashion clothing; Mothercare, a UK based company specializing in maternity clothes selling primarily in the UK, and TESCO a retail chain based in the UK. According to ACILS, other buyers from Interstoff owner Shahriar Alam other factories include Marks and Spencer, and Sears.

¶4. (SBU) On March 6, after several rounds of negotiations, management, buyers, and labor came to an agreement which

reinstated the ISCL as the union representing the factory workers and reinstated the dismissed union officers. Factory owner Alam told laboff he enjoyed a positive experience, and, according to those present, in a tearful statement welcomed back the workers. Solidarity Center Country Representative Rob Wayss told laboff, that while the threat of buyers canceling orders was always present, the atmosphere was a positive one, the buyers concentrated on the prospect of increased orders.

15. (SBU) Shortly after the settlement, buyers announced they would increase orders with Intersoff Clothing from \$500,000 to \$1.5 million, as well as increase orders at the owner's sister factory Interstoff Apparel, which employs 1500 workers. Buyers eagerly supported the termination of the dispute, and according to Bhatia, plan to make Interstoff a key supplier.

DID IT HAVE TO HAPPEN?
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16. (SBU) Laboff spoke to one of the mediators Lakshmi Menon Bhatia, who wears several labor hats: Corporate Social Responsibility (CSR) Compliance Officer for the GAP, Board Member of the Multi-Fiber Arrangement Forum, a trade group aiming to ameliorate potential country job losses due to the end of MFA quotas, and Executive Committee member of the Ethical Trade Initiative, a trade group who responded to ISCL's plea for assistance.

17. (SBU) Initially, Bhatia said the owner/manager of the factory welcomed the union. Factory owner Alam told laboff that while he thought the union was not needed, "at the end of the day, it's the workers' call." Despite this positive outlook, soon the relationship deteriorated. "There was a huge divide based in part by the Bangladesh susceptibility to

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conspiracy theories," she said. Deep down inside, many factory owners believe that the post-MFA changes and union organizing efforts are part of a foreign conspiracy to destroy Bangladesh textile industry. In this context, she said, labor relations and the initial goodwill swiftly "went downhill."

18. (SBU) The owner, Shahriar Alam, started his garment business 12 years ago, and opened this factory six years ago. Alam, a dynamic 35 year-old man, is involved in his community as President of the Bangladeshi Hockey Association and other sports associations. He told laboff that he always tried to do the most for his workers, including establishing a private retirement, and holding periodic labor-management meetings. However, when the union first started, a lot of the demands were "over the top." Bhatia commented that perhaps the union changed the relationship causing Alam to feel "betrayed at an emotional level." Alam told laboff that, "you don't get a lot of experience in the export community on how to deal with unions."

19. (SBU) Other textile business pressures in the post-MFA era increased the owner's fears. Bhatia cited demands by buyers for lower prices, increased quality standards, and more audits. She said that many owners she speaks to constantly raise the question, "but what about China?" when buyers ask for lower prices, increased quality and more CSR audits.

110. (SBU) In that context, management fears increased, she said, when factory owner Alam heard that buyers and the brands were concerned about the labor problems, and suspected a Solidarity Center local labor union, the Bangladesh Independent Garment Union Federation (BIGUF). The owner thought that BIGUF helped contact the brands as the "letter was in almost perfect English." The brands TESCO, INDITEX and Mothercare sent mediation/representatives from Spain, Peru, and Scotland, as well as International Textile, Garment and Leather Workers Federation General Secretary Neil Kearney

to lead the negotiations for an agreement.

THE NEGOTIATIONS =====

¶11. (SBU) The first round of negotiations started in mid-February, according to Bhatia, and ended on a sour note. After the first day of emotional outpourings, when labor and management accused each other of "rudeness" with a lot of "he said, she said" exchanges, the second day ended with hardened and hurt feelings. Bhatia said that discussions started and broke down several times, and ended when laborers realized that management was attempting to divide the workers amongst themselves. Asked if the workers had become emboldened by their ability to call in international support and therefore less able to compromise, Bhatia said that the buyers and Kearney took great pains to instruct the workers that the negotiations were really a chance for a "new beginning" with management.

¶12. (SBU) The second round of negotiations, aimed at restoring trust between the groups, was conducted using "separate room diplomacy" with the international team shuttling between labor and management. After a total of 27 hours of actual contact time, a mutually acceptable proposal was developed. Among the conditions, accepted by the owner, was a month-long training program in industrial relations for workers and managers. According to Bhatia, Alam wanted an "attitudinal shift" for both labor and managers in their relationship. He especially wanted "to strengthen management's ability to conduct industrial relations," she said.

LESSONS LEARNED =====

¶13. (SBU) Asked about the whole experience, Alam said that, "The negotiations were difficult, but I hope my patience won't run out next time." I like solving problems, he said, adding that when the negotiations broke down, "I listened when ETI offered up the idea of a month-long industrial relations training that might solve future problems before

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they start."

¶14. (SBU) "But really, this did not have to happen," Alam told laboff, "there was really no problem." However, other labor activists told laboff they disagreed, saying that labor-management relationships in Bangladesh still need time to mature. Nonetheless, Bhatia said, the seeds for the amicable outcome were sown in the 1990's when brands and buyers developed corporate social responsibility codes of conducts, hired compliance agents, and instituted social audits for factories. "When the CSR units were first started, we would not have been able to talk to the factory management, but we routinely work together," she said. "It's all about dealing with change."

¶15. (SBU) Comment: As labor and management relations become more important than ever in the post-MFA world, a lack of industrial relations training capacity in Bangladesh may become a bottleneck to development. The Bangladesh Export Processing Zone Authority (BEPZA) Executive Director wanted to hire 60 trained or experienced industrial relations specialists this past year. He hired his 60 staff, but despite offering very competitive salaries, he was forced to hire people with little or no experience or training in industrial relations.

CHAMMAS